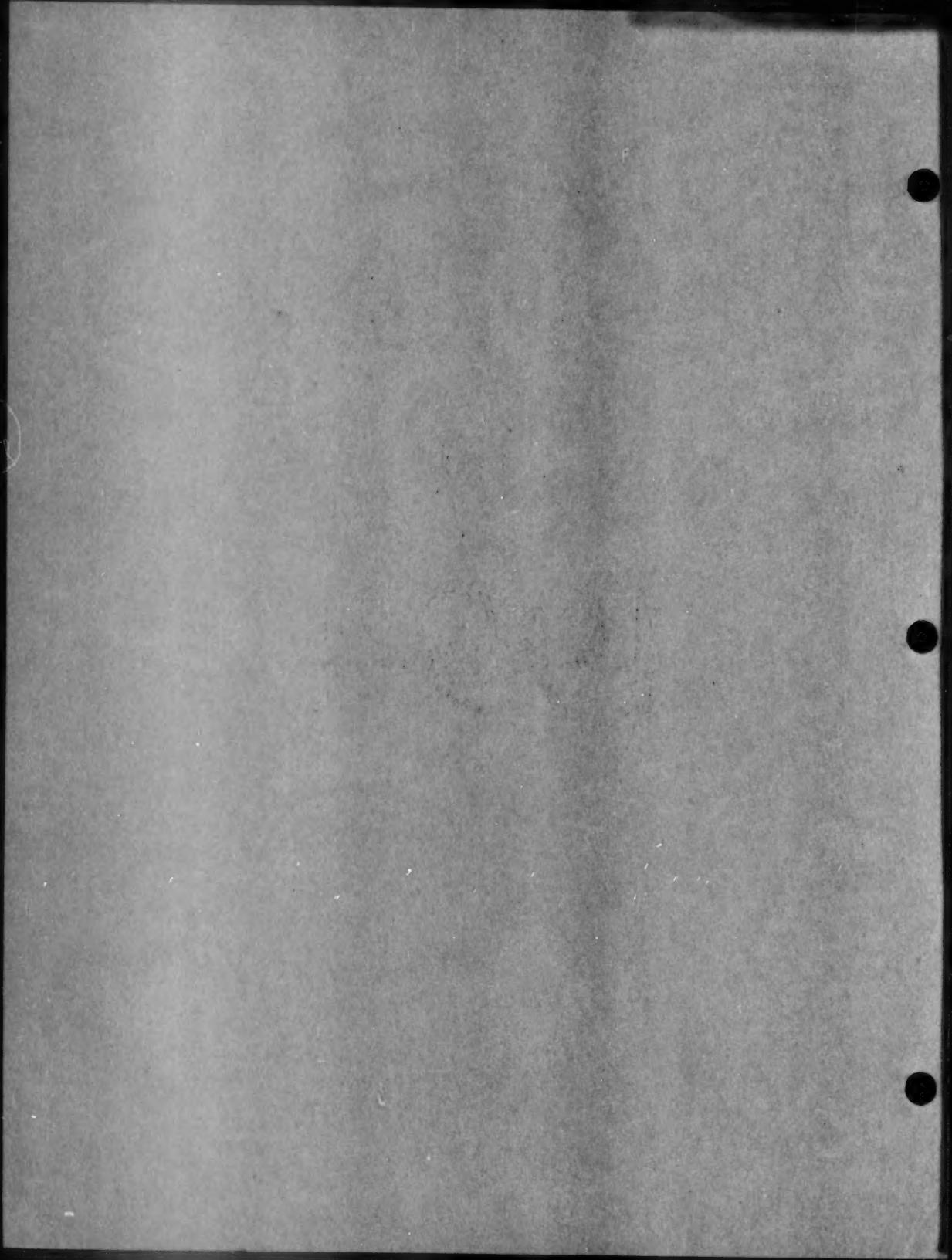


Real Estate
in
1954?





Volume XXIII

JANUARY 25
1954

Number 1

As I see

REAL ESTATE IN 1954

WITH the exception of the cessation of Federal rent control, 1953 was a rather uneventful year for real estate. Most real estate indexes showed no great change during the year, and the levels at the end of the year were not greatly different from those of a year ago.

It seems doubtful that 1954 will be a year of great change insofar as real estate is concerned. It is more probable that during 1954 the various real estate indexes will show some decline, but no marked drop.

Unlike many other lines of business, real estate is more sharply affected by local conditions. This is due to the fact that all real estate is fixed in location and cannot be taken to a favorable market. A shortage in one community cannot be filled by shipping in a surplus from some other community, nor can a surplus be disposed of by shipping it to a shortage area. As a result, real estate conditions will vary by larger percentages from community to community than will almost any other type of business activity.

REAL ESTATE ACTIVITY

It should be kept in mind that by real estate activity is meant the relationship of voluntary transfers of real estate to the number of families in the community. This will quite frequently show a greater variation, city by city, than will the selling prices of real estate.

A superficial glance at the three pages of charts which follow shows a tremendous similarity in all parts of the United States. A detailed examination shows tremendous differences at any given time. This is particularly true of 1953.

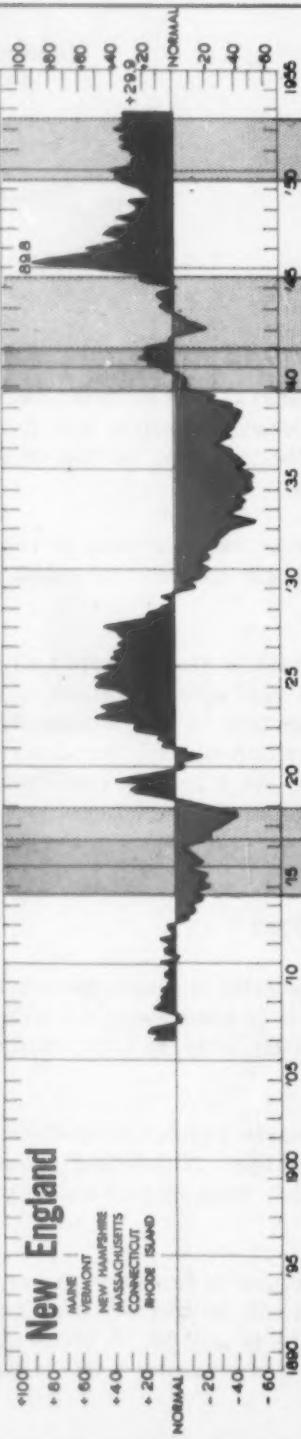
By contrasting real estate activity in the Mountain States with real estate activity in the East Central area of the country it will be noticed that on our long chart for the East Central area, real estate activity is still 23.3% above our long-term computed normal, while in the Mountain States it is now 9.6% below. It is
(cont. on page 5)

REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

COPYRIGHT - ROY WENZLICK & CO. - 1954

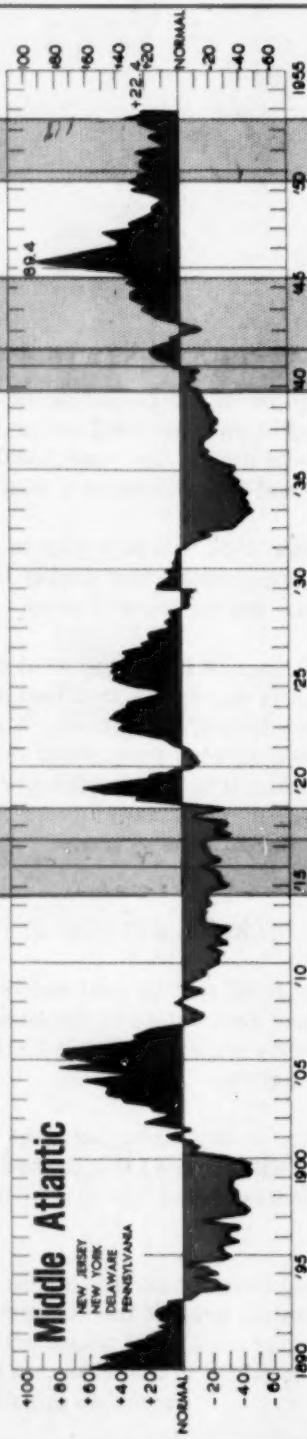
New England

MAINE
VERMONT
NEW HAMPSHIRE
MASSACHUSETTS
CONNECTICUT
RHODE ISLAND



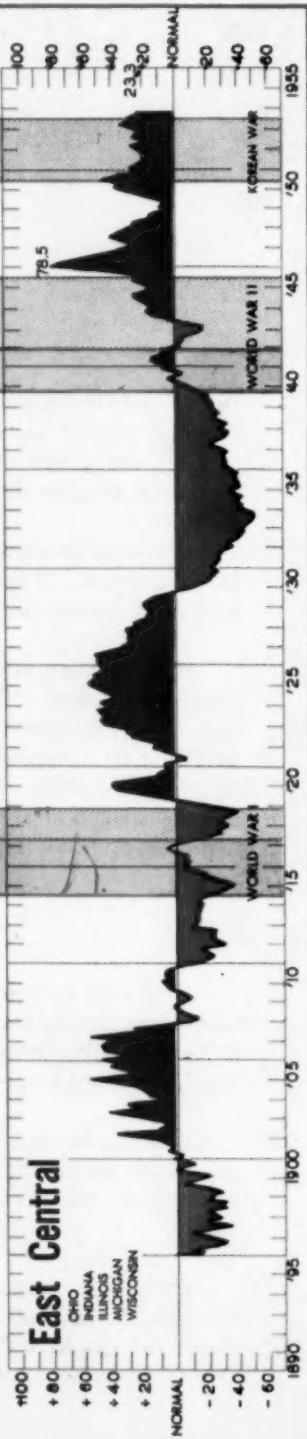
Middle Atlantic

NEW JERSEY
DELAWARE
PENNSYLVANIA



East Central

OHIO
INDIANA
ILLINOIS
MICHIGAN
WISCONSIN

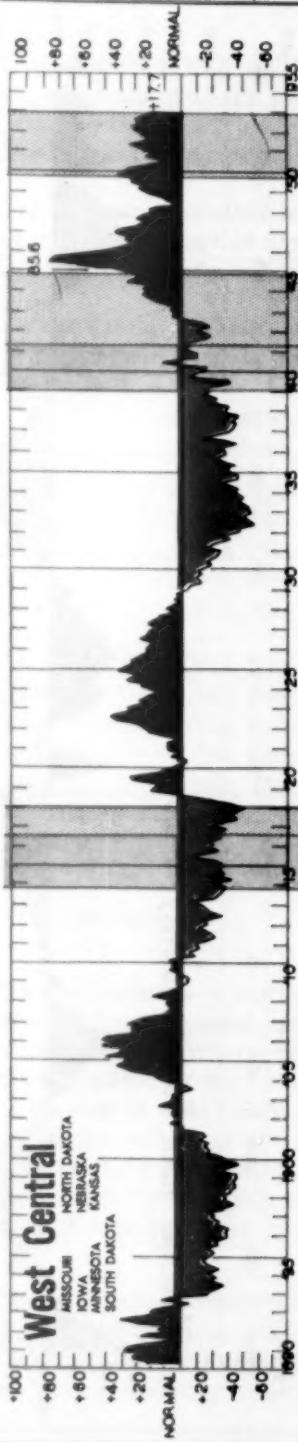


REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

COPYRIGHT - ROY WENZLICK & CO. - 1954

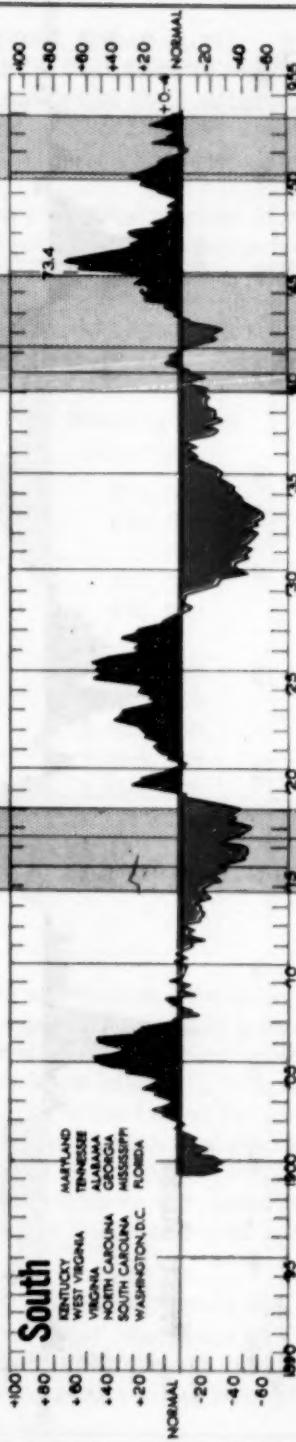
West Central

NORTH DAKOTA
MISSOURI
IOWA
NEBRASKA
MINNESOTA
KANSAS
SOUTH DAKOTA



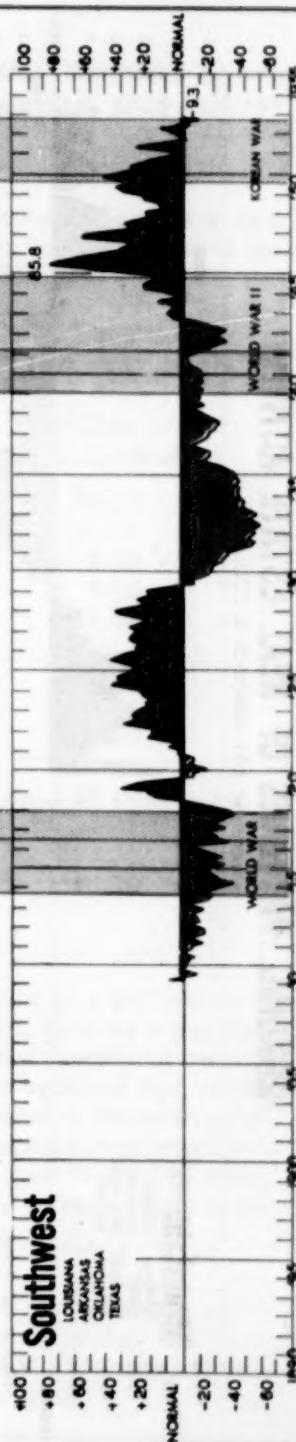
South

MARYLAND
KENTUCKY
WEST VIRGINIA
VIRGINIA
NORTH CAROLINA
SOUTH CAROLINA
WASHINGTON, D.C.
MISSISSIPPI
FLORIDA



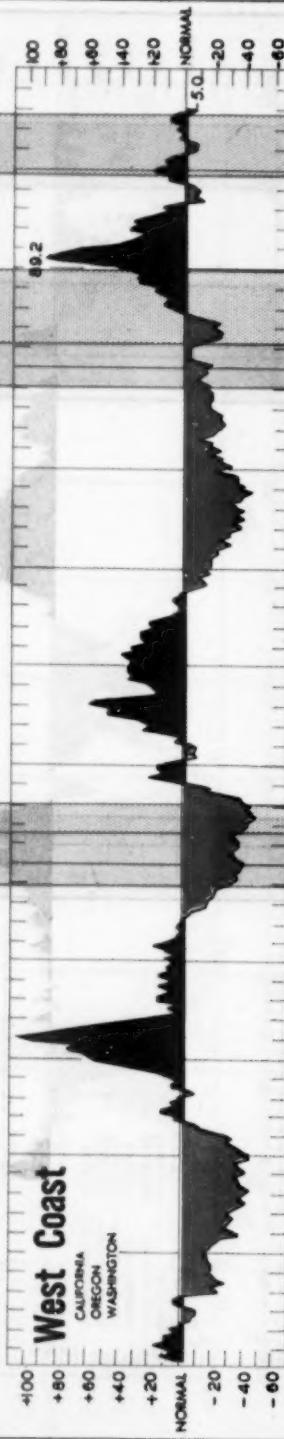
Southwest

LOUISIANA
ARKANSAS
OKLAHOMA
TEXAS

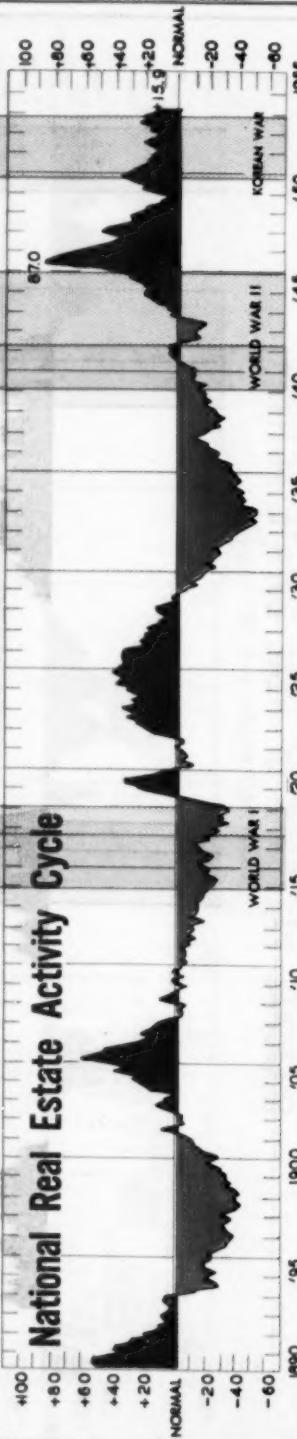


REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

COPYRIGHT ROY WENZLICK & CO., 1954



National Real Estate Activity Cycle



(cont. from page 1)

rather interesting that the West Coast and the Southwest, both rapid-growth areas, when adjusted for the changes in the number of families, show real estate activity below normal, while New England and the other slower-growth areas show it above normal.

The table immediately below shows the number of voluntary transfers of real estate and the number of new dwelling units constructed in nonfarm areas of the United States for selected years in the past ending with 1953.

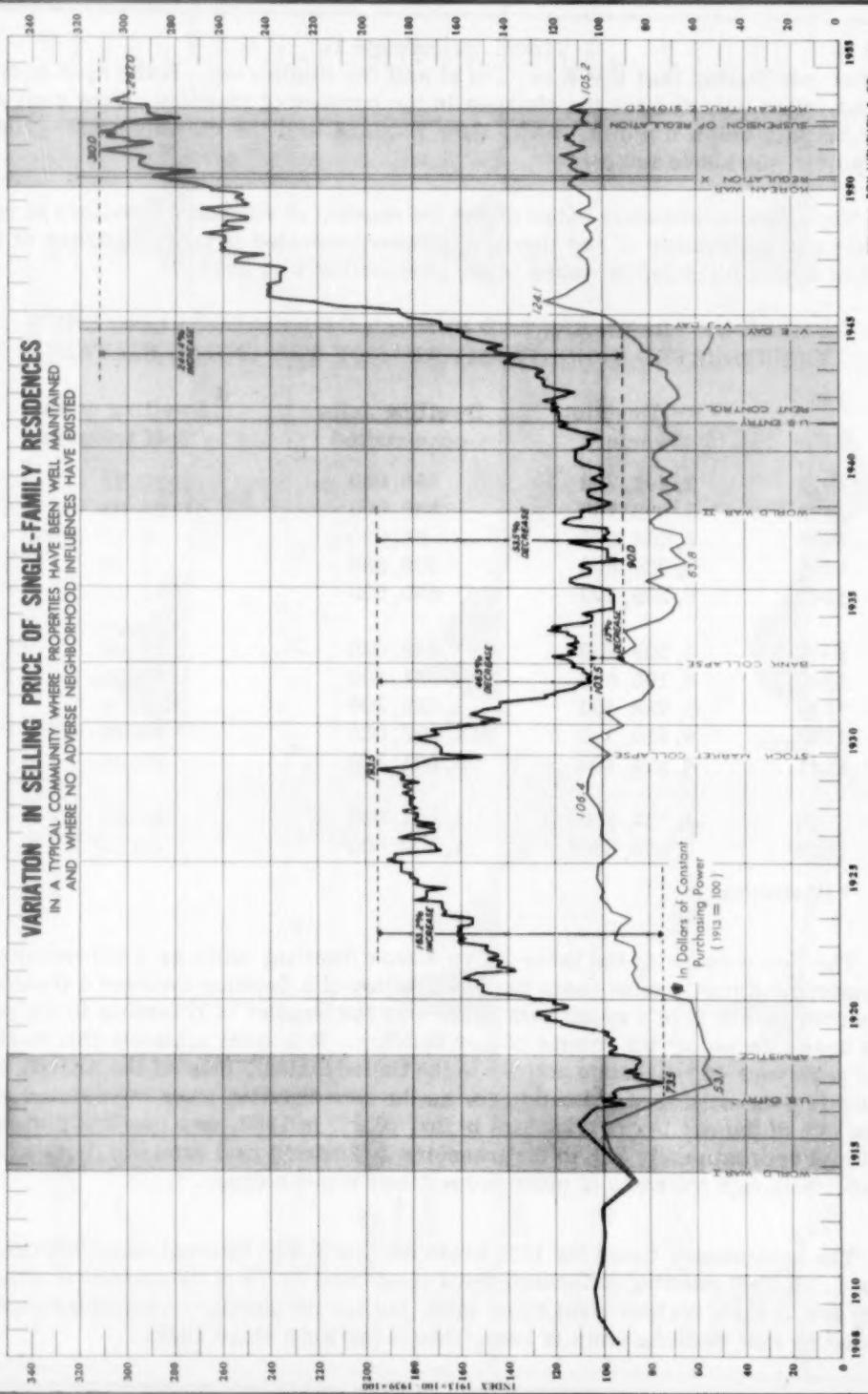
**NUMBER OF TRANSFERS AND NUMBER OF NEW DWELLING UNITS
CONSTRUCTED IN NONFARM AREAS OF THE UNITED STATES**

Year	Real estate transfers	Dwelling units constructed	Dwelling units as % of transfers
1913	2,249,700	455,000	20.22
1926	3,533,100	849,000	24.03
1933	1,664,800	93,000	5.59
1945	3,909,600	209,300	5.35
1946	5,289,500	670,500	12.68
1947	4,509,700	849,000	18.83
1948	4,195,600	931,600	22.20
1949	3,788,400	1,025,100	27.06
1950	4,530,700	1,396,000	30.81
1951	4,362,400	1,091,300	25.00
1952	4,457,300	1,127,000	25.30
1953	4,638,500*	1,100,000*	23.70*

*Preliminary.

The last column in the table above shows dwelling units as a percentage of transfers. Since in most cases the construction of a dwelling involves a transfer, this column will give a rough idea of the way the number of transfers in the past has been affected by the volume of new building. It is quite apparent that in 1946 (the peak year of real estate activity in the United States), most of the activity was caused by the selling of older homes, as the new dwelling units constituted less than 13% of the number of transfers in that year. In 1950, new construction contributed approximately 31% to the transfers and caused real estate activity to advance, although the sales of older properties showed a drop.

The preliminary figure for 1953 would indicate 4,638,500 real estate transfers. The 1,100,000 dwelling units constructed constituted 23.7% of the transfers. Transfers are at their highest level since 1946, but the percentage of transfers represented by new dwelling units is lower than it has been since 1948.



CHANGES IN SELLING PRICE

The chart to the left shows the fluctuations in the selling prices of single-family residences in a typical community where properties have been well maintained and where no adverse neighborhood influences have existed. The low point was reached at the end of 1936, and the high point was reached in 1951 and 1952.

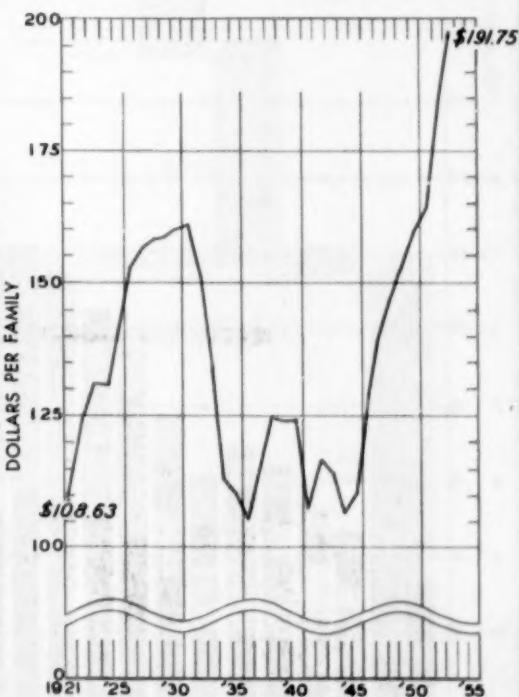
The seasonal movement which is apparent on this chart with higher prices each spring and summer will continue into 1954. When the final figures for January are available, they will probably be lower than the present level, with the spring and summer bringing some recovery, but selling prices will not reach in 1954 the levels of the spring and summer of 1953. The fall and winter of 1954 will probably bring lower prices than are current at the present time.

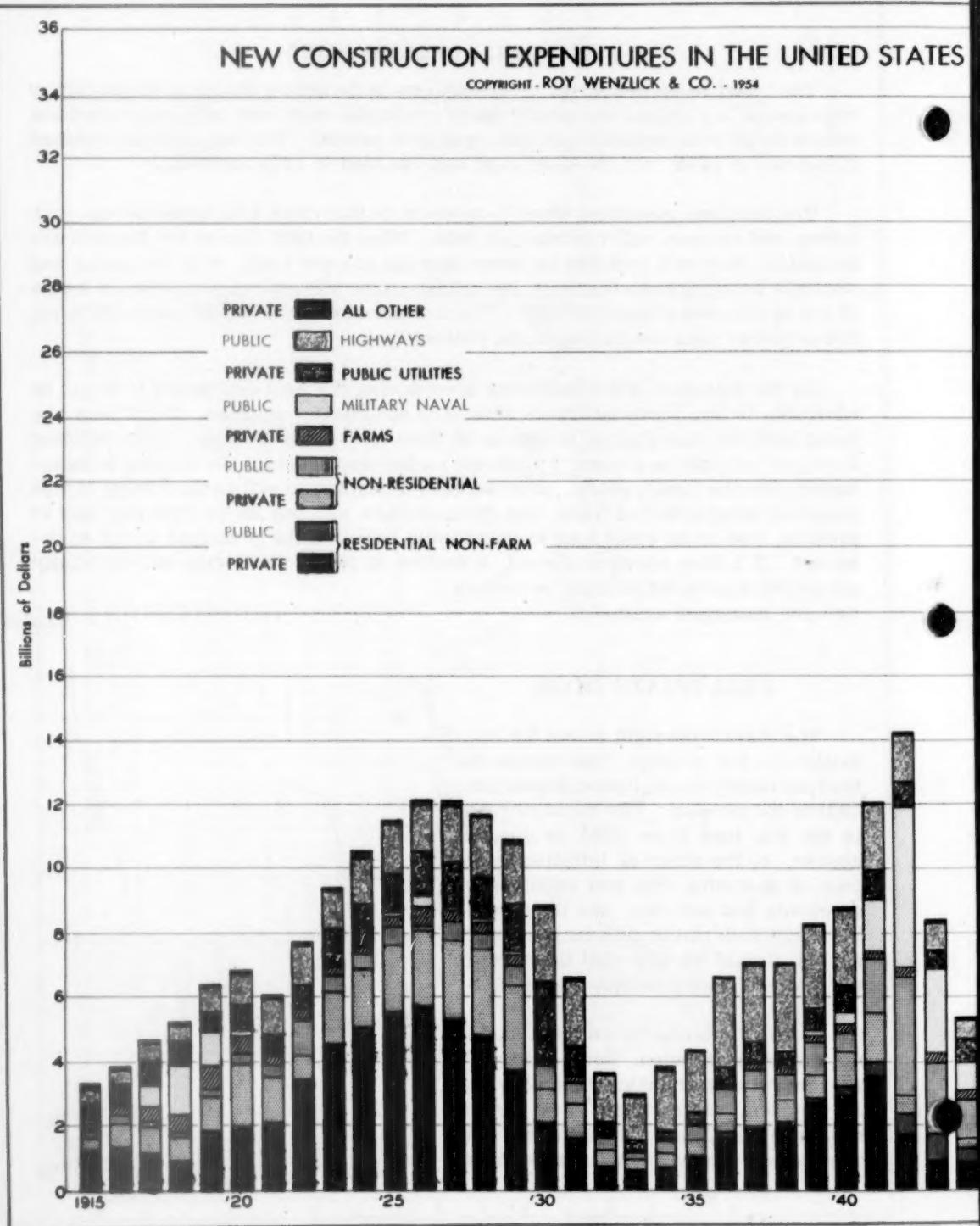
As the values of older buildings drop during the next few years it would be advisable to own these buildings with very substantial equities, or, if they are being held for speculation, to dispose of them at the present time. If the building is owned outright as a home, I would not recommend selling if the building is satisfactory for the family needs. If it becomes necessary to sell in the future, it will probably bring fewer dollars, but these dollars will buy more than they buy at present, and so no great loss in purchasing power of the principal would be involved. If a slim equity is owned, a decline in price could wipe out the equity entirely and leave the building worthless than the mortgage against it.

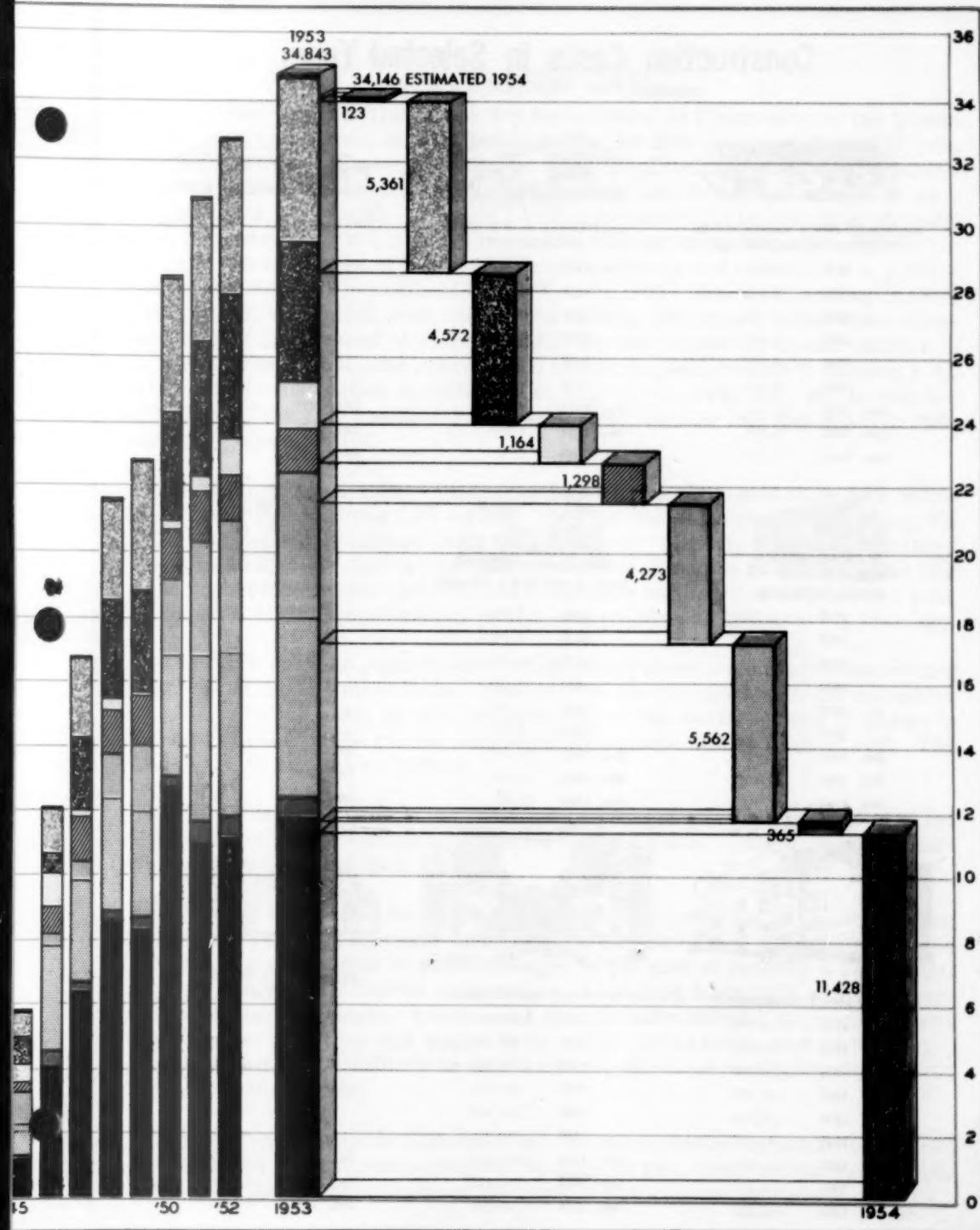
REAL ESTATE TAXES

The chart to the right shows the fluctuation in the average real estate tax load per family in the United States from 1921 to the present. The rapid increase in the tax load from 1944 is due, of course, to the effect of inflation on the cost of operating city and county governments and schools. As the number of school children is still increasing, it seems almost certain that the average tax load will increase again in 1954.

In many communities the tax load is not evenly distributed. Some taxpayers are carrying more than their share of the burden, while others are under-assessed. In these communities a disinterested reassessment is necessary.







Construction Costs in Selected Years

COPYRIGHT ROY WENZLICK & CO. - 1954



**STANDARD BRICK RANCH HOUSE
WITH ATTACHED GARAGE**



**CALIFORNIA RANCH HOUSE
NO BASEMENT**



**CONTEMPORARY RANCH HOUSE
NO BASEMENT**

1913 \$ 2,807

1919 4,416

1926 5,162

1932 3,425

1938 4,387

1945 6,071

Dec. 1952 11,641

Dec. 1953 12,077

Jan. 1954 12,074

1913 \$2,033

1919 3,296

1926 3,693

1932 2,352

1938 3,145

1945 4,670

Dec. 1952 9,029

Dec. 1953 9,337

Jan. 1954 9,328

1913 \$ 2,786

1919 4,632

1926 5,118

1932 3,152

1938 4,279

1945 6,123

Dec. 1952 12,007

Dec. 1953 12,404

Jan. 1954 12,397



SIX-ROOM FRAME

1913 \$ 3,692

1919 6,139

1926 6,783

1932 4,178

1938 5,671

1945 8,115

Dec. 1952 15,914

Dec. 1953 16,440

Jan. 1954 16,460



FIVE-ROOM BRICK VENEER

1913 \$ 3,482

1919 5,478

1926 6,403

1932 4,248

1938 5,442

1945 7,531

Dec. 1952 14,440

Dec. 1953 14,952

Jan. 1954 14,945



SIX-ROOM BRICK

1913 \$ 4,241

1919 6,514

1926 7,725

1932 5,053

1938 6,092

1945 9,048

Oct. 1952 16,836

Oct. 1953 17,217

Jan. 1954 17,220



16-FAMILY APARTMENT

1913 \$ 40,878

1919 63,297

1926 76,496

1932 51,050

1938 57,123

1945 85,126

Oct. 1952 159,393

Oct. 1953 164,011

Jan. 1954 164,070



30-FAMILY APARTMENT

1913 \$ 84,564

1919 133,435

1926 154,592

1932 107,554

1938 135,085

1945 186,272

Oct. 1952 342,934

Oct. 1953 349,132

Jan. 1954 349,625



**COMMERCIAL BUILDING
NO BASEMENT**

1913 \$12,190

1919 19,236

1926 22,286

1932 15,505

1938 19,474

1945 23,995

Oct. 1952 50,933

Oct. 1953 52,288

Jan. 1954 52,405

NEW CONSTRUCTION

The Department of Labor and the Department of Commerce of the United States Government have issued a joint forecast for new construction in 1954. On all new construction, which in addition to building includes highways, utilities and military and naval facilities, they estimate that the dollar volume of construction will be down 2%. Private building construction is estimated at being down 3% from 1953, with nonfarm residential building being down 4%. New dwelling units are estimated at a drop of 7%, but additions and alterations to private residential buildings are estimated at 18% above 1953. Industrial building is estimated at 14% below 1953, with commercial building 10% above. Other nonresidential building is estimated at 1% above 1953, the gain consisting almost entirely in religious, educational, and recreational buildings, with hospitals showing a 4% loss. Farm construction is estimated at 12% below a year ago, public utilities at 3% above, the gain consisting almost entirely in pipe line and electric light and power construction.

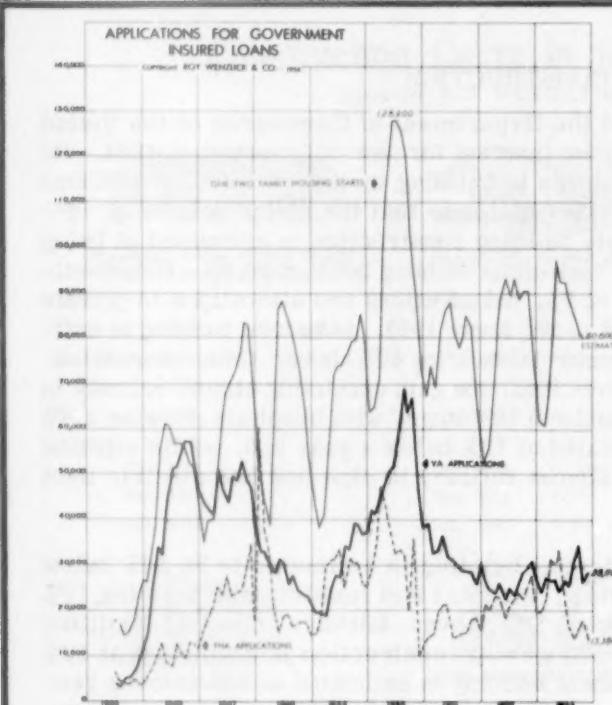
On public construction, residential building is estimated to be 34% below 1953, industrial building 10% below, hospital and institutional building 19% below, but public educational building 11% above. Military and naval facilities are estimated at 12% below 1953. Highway construction is estimated at 10% above. Conservation and development building is estimated at 10% below a year ago, and all other miscellaneous public construction at 29% above a year ago.

The large chart on pages 8 and 9 in this report shows the dollar volume of new construction in the United States from 1915 to the present, with the estimates for 1954. On this chart private construction of the various types is shown in shadings of blue, while public construction is shown in shadings of red. The figures are in billions of dollars.

The charts opposite show the construction costs of nine buildings for selected periods in the past in comparison with the current costs. The figures are available on these buildings back to 1913.

The rapid changes in construction costs of a few years ago are past. During the last few years, prices have been changing very little, and it seems to me that 1954 will again be a year of slight changes in the cost of building a residential building. During this period some items of building materials will increase, while some will decrease. Labor rates will probably advance slightly, but with less overtime and premium wages being paid. Total labor cost of building a building will in all probability be approximately the same or slightly less a year from now than it is now.

It also seems probable that there will be some shading in profit on the part of contractors and subcontractors as the market gets more competitive. This could offset such slight increases as might occur in some materials.



over a period of years, a decline in cash income for their crops eventually brings a lower price for farm lands.

This chart shows that some types of crops are faring considerably better than others. For instance, tobacco is still relatively close to its all-time high. Whether this level can be maintained, however, is quite doubtful, as the current trend of cigarette sales is down without much chance of immediate reversal.

Cash income from dairy products is also close to its all-time high, but the dairy industry sooner or later is going to face a considerable readjustment as the taxpayer will not continue indefinitely to pay for the Government purchase of dairy products in order to keep the price above the level at which the consumer is willing to buy the available supply. When dairy products have to find their own level in the market, many dairy farmers are going to be in trouble.

The fluctuations in the cash income from the marketing of meat animals are quite interesting in that they have had regular peaks and valleys. If we continue on the basis of the past we would expect the cash income from meat animals to turn up some time around the middle of 1954.

A careful study of all of the lines on this chart would indicate that in most fields the farmer is not too badly off in comparison with the past. Only by comparing the present with the all-time peak does he seem to be in difficulty.

FARM VALUES

Farms reached their highest selling prices on the average in July 1952. Since that time each succeeding period has gone lower. During the past year the largest drops in farm values have occurred in Utah, Idaho, Wyoming, and Arkansas. By way of contrast, farm values in North Dakota, New Jersey, and Delaware are higher than they were a year ago.

The chart on page 16 shows the cash income from farm marketings from 1938 through 1953. Since the values for which farmers will sell their land depend on the net income they have been able to realize

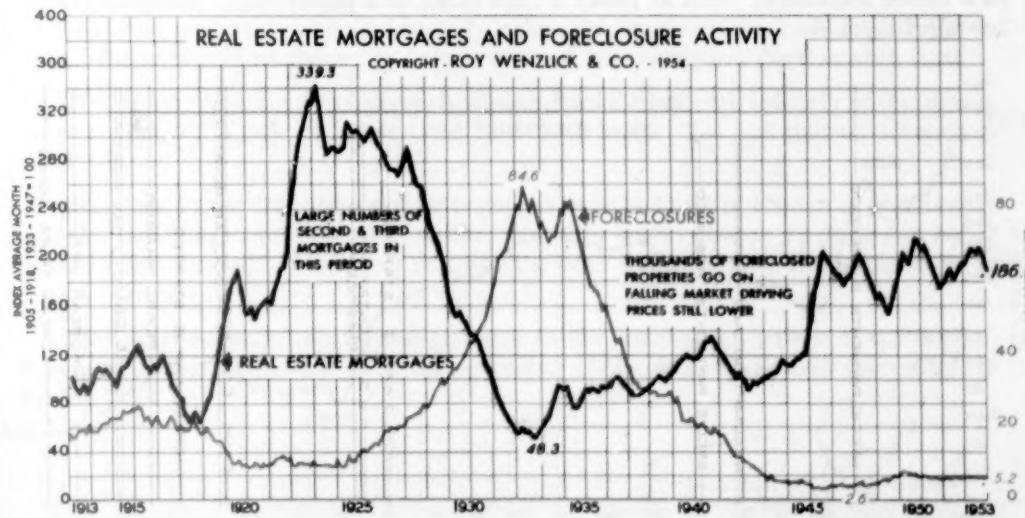
REAL ESTATE MORTGAGES, INTEREST RATES AND FORECLOSURES

The chart below shows the fluctuations in the mortgage interest rate and in the foreclosure rate from 1913 to the present. The mortgage line is computed by adjusting the number of mortgages by the number of families and calling the rate in the periods 1905-1918 and 1933-1947 100. The boom years of the twenties were not considered in arriving at the base because of the large number of second and third mortgages during that period.

If the peak of the twenties caused by the inclusion of second and third mortgages is ignored, the level of mortgage activity at the present time is seen to be quite high; in fact, 1953 was exceeded only by 1950 in the average rate for the year. This was in spite of the fact that both FHA and VA loans were relatively low during the entire year. Because of the interest rate situation, most mortgage lenders preferred conventional loans where the interest rate was set by the market rather than by Government directives.

The foreclosure rate on the chart below is given as the number of foreclosures per month per 100,000 families. The peak was reached in 1933. Without the HOLC the foreclosure rate would have gone much higher, and the peak would probably have been reached in about 1935 or 1936. The rate during 1953 has been quite low, and will probably not change greatly during 1954, although it seems that any change in the rate would probably be up rather than down.

During 1953 the mortgage interest rate showed relatively little change. Our figure on the average interest rate on all loans on Manhattan Island, for instance, advanced from 5.03% to 5.11%, or less than one-tenth of 1%. I believe that the changes in 1954 will also be small.



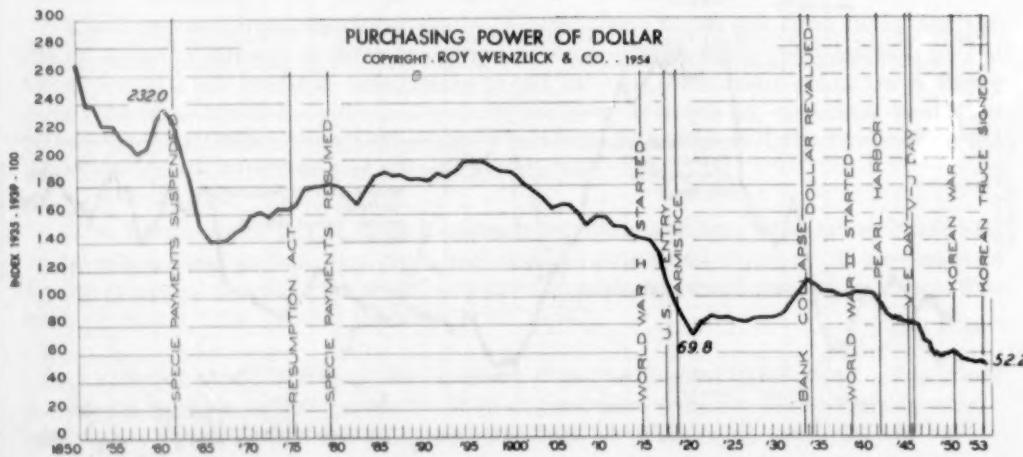
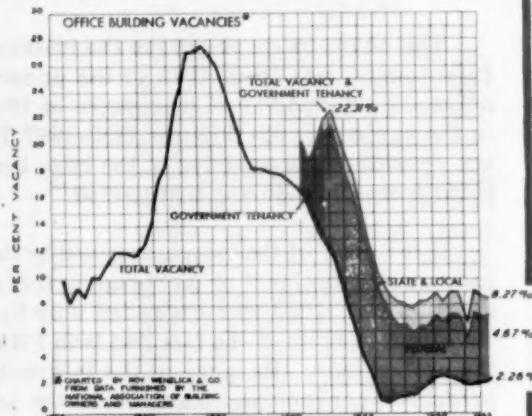
OFFICE BUILDINGS

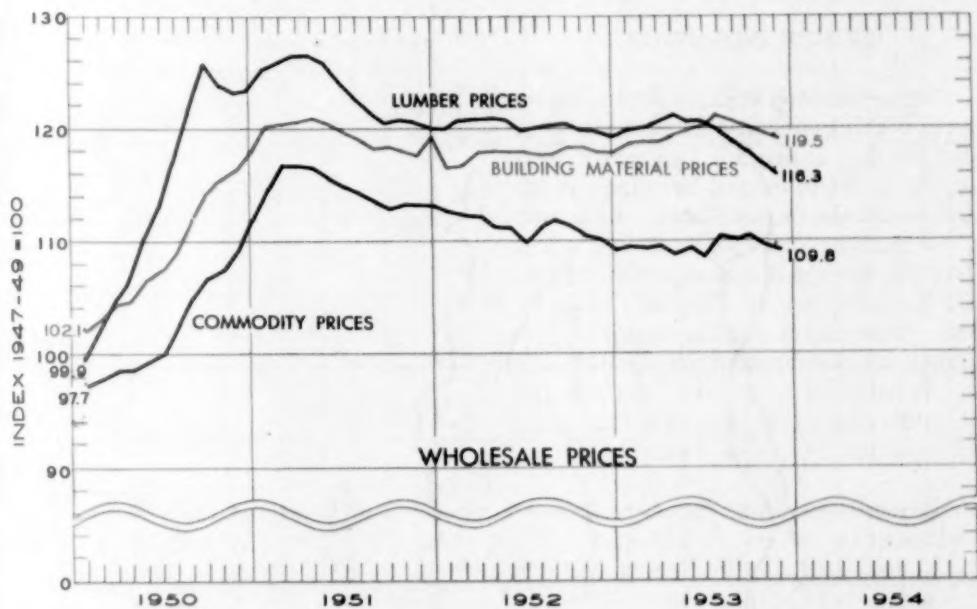
Office building vacancy on the average in the United States is still at a very low level, averaging approximately 2-1/4% in the principal buildings in the big cities of the United States. As shown by the chart on the right, however, about 6% of the occupied space in these buildings is occupied by Federal, State or local government organizations. The figures on government occupancy are not available prior to 1941, and are not available separated into Federal, State and local until October 1943.

National averages, however, conceal some bad situations in individual cities. In Pittsburgh, where considerable office building construction has taken place, the vacancy is 8.7%; in Memphis, 6.1%; in Detroit, 4.4%; in Milwaukee, 5.3%; in St. Louis, 4.6%; in St. Paul, 4.9%; in Los Angeles, 4.2%; in Oakland, 5.0%; in Seattle, 6.9%; and in Spokane, 5.4%.

Office building construction will continue during 1954, with office building vacancy continuing to increase.

It still seems to me, however, that well-located office buildings, soundly financed, are good long-term investments, and should be held for the long pull. New office buildings, built at today's high cost, are hazardous, particularly if heavily financed.





PRICES AND THE PURCHASING POWER OF THE DOLLAR

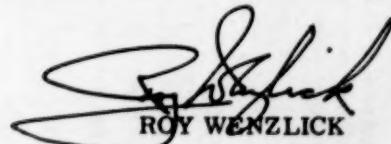
The chart above shows wholesale commodity prices, building material prices and lumber prices since the beginning of 1950. The year 1953 was one of relatively little change for wholesale commodity prices. The last figure available (November 1953) is 109.8, in contrast with the January 1953 figure of 109.9.

Building material prices advanced slightly during the year, reaching a peak in July. Since that time there has been a gradual but consistent decline each month.

The price of lumber has been declining slightly but consistently since April, when it reached a peak of 121.5 of the 1947-1949 level. The last figure (November) is 117.5.

It seems to me that 1954 will be a year of relatively little change in commodity prices, building materials and lumber, but with such changes as do occur being down rather than up. I think we will end the year with all three items below their present levels.

The chart opposite shows the changes in the purchasing power of the dollar. It seems probable that the purchasing power of the dollar will increase slightly during 1954.


ROY WENZLICK

